

IRS News Release

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IRS Simplifies Tax Filing Requirements for Small Employers

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WASHINGTON — The Internal Revenue Service today issued temporary and proposed regulations that will significantly reduce tax filing burden for nearly 950,000 small business owners. Beginning January 1, 2006, certain employment tax filers will be able to file the new Form 944 (Employer's Annual Federal Tax Return) once a year rather than filing Form 941 (Employer's Quarterly Federal Tax Return) four times a year.

The new Form 944 will reduce burden on eligible small employers who file quarterly returns with little or no employment tax due. Most employers who file Form 944 will be able to make a single payment with their annual return.

Eligible employers are those with estimated annual employment tax liability of \$1,000 or less. The IRS will begin mailing notification letters between February 1 and February 15, 2006 to eligible small employers for calendar year 2006. Employers who do not receive a letter and believe they are eligible to file the new Form 944 can call the IRS at 1-800-829-0115 to find out if they qualify. Taxpayers should contact the IRS by April 1, 2006.

New employers who expect to owe \$1,000 or less in total annual employment tax (approximately \$4,000 or less in annual wages) also are eligible to file Form 944. These employers can indicate their estimated tax amount when applying for their EIN (Employer's Identification Number) on Form SS-4. The IRS will notify the employer to file either Form 944 or Form 941 in the same notice indicating the taxpayer's new EIN.

"This is just one more burden reduction step the IRS is taking to make it easier for small business employers to comply with the tax laws. Replacing four quarterly forms with one annual form is a significant benefit for small business taxpayers," said the IRS' Small Business/Self Employee Commissioner Kevin M. Brown.

The new Form 944 and instructions will be available on the IRS Web site at IRS.gov by January 31, 2006.

The proposed regulations are open to public comment for 90 days after publication. A public hearing on the regulations has been scheduled for April 26, 2006 at 10 a.m.